

**Council on Postsecondary Education
January 30, 2006**

Tuition Policy

The tuition policy provides a structured process for ensuring balance between the desire to maintain affordability for Kentucky's students and the need to provide sufficient revenue to reach the goals of the public agenda. The policy establishes maximum parameters for undergraduate tuition and fee rates. The parameters are linked to General Fund appropriation levels, Median Family Income, market factors, and a student affordability measure.

ACTION: The staff recommends that the Council approve the tuition policy and parameters for establishing tuition and fees for the public institutions for 2006-08.

Prior to 2001, the Council set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky Per Capita Personal Income (PCPI). These rates were differentiated by sector. In FY 2000, the last year this policy was in place, UK's and UofL's tuition was 13.4 percent of PCPI, the comprehensive institutions' tuition was 9.2 percent of PCPI, and KCTCS's tuition was 5.0 percent of PCPI.

Over the past five years, tuition and required fees have increased by an average of \$2,225 for the research institutions, \$2,146 for the comprehensive institutions, and \$1,122 for KCTCS. The Council took action in May 2005 on current tuition and fee rates but indicated that a more direct approach to determining the rates would occur for 2006-07. In addition, the Council and KHEAA initiated a detailed affordability study that was completed in September 2005 to evaluate student record data regarding affordability.

At its January 30, 2006, meeting, the Council will take action on a staff recommendation regarding tuition policy to include the tuition and required fee rates for each institution.

This agenda item details the following:

- Timeline detailing the process for finalizing the tuition policy for 2006-08.
- The Council's tuition policy.
- Parameters and technical guide for tuition and mandatory fees for 2006-08.

Timeline and Process for Establishing Tuition and Fees for 2006-08

The Council staff has had numerous discussions beginning in September with institutions and executive and legislative members and staffs regarding the Council's tuition policy changes. The following table details the timeline for remaining discussions of tuition policy and its implementation that will occur between now and March/April when the Council takes final action on 2006-08 tuition and fees.

TIMELINE FOR TUITION POLICY/PARAMETERS

Date	Description	Objective
December 7, 2005	Meetings with CBOs, Presidents, Executive Committee	Discuss draft tuition policy approach/review possible rate/range options.
December 16, 2005	Email meetings with Council members and CBOs	Council staff to send draft tuition policy and recommended institutional data/rates/ranges for comments/suggestions.
December 16, 2005 – January 10, 2006	Email meetings/conference calls, etc.	Council staff will work with CBOs to analyze/refine data, incorporate suggestions/comments, and finalize draft recommendation.
January 12, 2006	Meetings with CBOs, Presidents, Executive Committee	Discuss tuition policy draft and preliminary rates/ranges.
January 5, 2006 – January 30, 2006	Email meetings/conference calls, etc.	Refine recommendations based on discussion and finalize recommendations.
January 30, 2006	Council meeting	Council action on tuition policy.
February/March 2006	Institutional boards meet	Institutional boards meet and develop recommendations on tuition and fees consistent with Council policy to be presented to the Council in March.
March/April 2006	Tuition hearings before the Council Executive Committee	Institutions present board recommendations consistent with the Council's tuition policy/parameters, or request exceptions.
March/April 2006	Council meeting	Final action on policy/rates.

Council on Postsecondary Education
Tuition Policy
2006-08

Policy Objective:

To maintain a systematic approach for establishing parameters regarding tuition and mandatory fees for postsecondary education in order to balance the need to ensure that higher education remains affordable for Kentucky's citizens with the need to provide sufficient revenue for the goal attainment of the public agenda.

Policy Principles:

- **(Access)** – College education in Kentucky should be accessible and affordable for all qualified Kentuckians.
- **(Adequacy)** – Tuition policy decisions should provide adequate total public funding levels necessary for institutions to meet the objectives of the public agenda.
- **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for students with financial need.
- **(Alignment)** – The following three policies should be aligned with each other and the public agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Tuition and Fees

The institutions' tuition shall be established in such a manner that the combination of mandatory fees (established by the institutions) and tuition charges do not exceed the maximum parameters unless expressly granted an exception by the Council.

- **Undergraduate Resident Tuition and Mandatory Fees** will be determined based on the following factors:
 - Ability of students to pay
 - Enrolled students' income levels (JBL affordability study data)
 - Enrolled students' financial aid from all sources (JBL affordability study data)
 - Population income levels – including potential students not currently enrolled (Median Family Income of the Commonwealth)
 - Minimum amount of student loans (**Measuring Up** best practices for best performing states in the affordability measure)

- Market factors
 - Tuition and fee rates compared to benchmarks
 - Tuition and fee revenue levels relative to total funds compared to benchmarks
- **Maximum Parameters for 2006-08**
 - **Attachment A** is a technical guide to the calculations used to establish maximum parameters for resident undergraduate student tuition and fee rates for the biennium.
 - The Council staff completed several detailed analyses in order to establish the parameters. Some of the major policy issues related to the analysis that were used in the parameters are as follows:
 - **Affordability study** - The national research firm that completed the affordability study found that for most enrolled students, Kentucky remains affordable. The affordability data was used to develop an affordability measure that will be used to monitor affordability over time. This affordability measure will be used to determine modifications in the general parameters in the future.
 - **Median Family Income** - Median Family Income is used as an anchor for the maximum parameters. Median Family Income was chosen because it is the standard measure used by most national studies on affordability including *Measuring Up*. The establishment of the parameters relative to Median Family Income was based on an analysis of total cost, all forms of financial aid, and net price. In this way the Council is able to balance affordability for Kentuckians as well as factoring in more detailed analyses of net price.
 - **Market factors and the benchmarks** – The Council staff has analyzed revenue levels relative to total funds and tuition and fee levels of the benchmarks in comparison to the Kentucky institutions. These data were used in the development of the maximum parameters. The economics of the market is an important factor in tuition policy development. The policy seeks to balance the need for affordable prices for Kentuckians and the need to provide sufficient revenue to reach the goals of the public agenda.

The basic structure for establishing tuition and fee rates for resident undergraduate students is: (a) the establishment of maximum rates for each institution and (b) the establishment of a process for requesting exceptions to the maximum parameters on the basis of special circumstances. Details of the calculations of maximum parameters are included in Attachment A. In general, the maximum parameters were determined based on Median Family Income, relationships to benchmark institutions, and affordability measures. In addition, different maximums are provided at different levels of funding of the Council's 2006-08 budget request.

- **Nonresident Undergraduate Tuition and Fees** - The enrollment and retention of nonresident students is an important component of efforts to increase levels of educational attainment in Kentucky. Current Council policy provides that tuition rates for nonresident students be higher than those for resident students. No minimum tuition rate for nonresident students is provided under current Council policy. It is proposed that nonresident tuition and fees be at least 1.75 times higher than resident tuition and fees for the 2006-07 academic year, and at least 2.0 times higher for the 2007-08 academic year. Currently, nonresident tuition and fee rates for Kentucky's public institutions range from 1.12 times the resident rate to 3.0 times the resident rate. The most recent national study of tuition and fee rates indicates that nonresident rates average 2.2 to 2.7 times resident rates depending on institutional type. Over the course of the next several months, the Council will undertake a review of the funding model, migration rates, market factors which are expected, among other things, to provide some additional information to guide development of future nonresident tuition and fee rates.
- **Graduate and Professional Tuition and Fees** -The institutions will submit a proposal detailing tuition and fee rates for graduate and professional programs. The proposed tuition and fee rates will consider students' ability to pay as well as market factors.

Special Circumstances -The Council will consider special circumstances on a case-by-case basis at the tuition hearings to be held prior to final action by the Council in March/April prior to the beginning of each biennium. Examples of special circumstances include special program fees, higher tuitions related to high demand programs, or unique market factors related to specific programs.

Technical Guide for 2006-08 Tuition and Fees Parameters

- The institutions' tuition shall be established in such a manner that the combination of mandatory fees (established by the institutions) and tuition charges do not exceed the maximum parameters unless expressly granted an exception by the Council.
- The maximum parameters are detailed as follows:
 - TABLE 1 - 2006-07 parameters
 - TABLE 2 - 2007-08 parameters assuming less than half of the benchmark recommendation funded by the legislature
 - TABLE 3 - 2007-08 parameters assuming half or greater of the benchmark recommendation funded by the legislature

Resident Undergraduate Students:

- The parameters are based on an analysis of the current relationship of tuition and fees as a percent of the statewide Median Family Income (MFI) in each of the three sectors of public higher education in Kentucky, and the increase allowances as a percent of MFI by sector are based on the following proportionality:
 - The current sector breakdown of tuition and fees as a percentage of Median Family Income for the (1) research sector - 12.2 percent; (2) comprehensive sector - 10 percent; and (3) two-year sector - 5 percent.
- The parameters are established separately based on benchmark funding assumptions:
 - Less than half the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by 1.25 percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.82 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.42 percentage point.
 - Half or greater than the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by 0.625 percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.41 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.21 percentage point.
- The parameters are established for both years of the 2006-08 biennium.

- In addition to the general parameters described above, the maximum increases as a percentage of Median Family Income will be adjusted by a factor equal to 20 percent of the parameter for each of the following areas:

- Market factor (Decrease) – annual tuition and fee rates greater than median of benchmarks (decrease)
- Market factor (Increase) – annual tuition and fees revenue as a percent of total public funds below the benchmark average
- Affordability factor (JBL) (Decrease) – percentage of students (greater than 10%) in the bottom two income quartiles who do not meet affordability standard (greater than \$6,620 of the cost of attendance left to pay after effective family contribution, grants, and \$2,620 in loans)
- Affordability factor (Increase) – tuition and fees as percent of Median Family Income below the average of the sector. *Note: The sector average for each institution is calculated by removing that institution's data from the calculation. The factor is then determined based on the distance an institution is from the sector average.*

The following table provides the detailed calculation of the parameters by institution.

	A	B	C	D	E
	Parameter	Bnchmrk T&F as % of TPF Factor	Bnchmrk Median T&F Rates Factor	¹ Sector Average Factor	Total Increase in T&F as % of MFI (A+B+C+D)
< 1/2	UK	1.25%	0.250%	0.000%	1.500%
	UofL	1.25%	0.000%	0.195%	1.445%
	EKU	0.82%	0.000%	0.0164%	0.8364%
	KSU	0.82%	0.000%	0.0984%	0.9184%
	MoSU	0.82%	0.000%	0.1640%	0.9840%
	MuSU	0.82%	0.000%	0.1148%	0.9348%
	NKU	0.82%	0.000%	0.000%	0.8200%
	WKU	0.82%	0.000%	0.000%	0.8200%
	KCTCS	0.41%	0.000%	-0.082%	0.328%
> 1/2	UK	0.625%	0.125%	0.000%	0.7500%
	UofL	0.625%	0.000%	0.098%	0.7225%
	EKU	0.41%	0.000%	0.008%	0.4182%
	KSU	0.41%	0.000%	0.049%	0.4592%
	MoSU	0.41%	0.000%	0.082%	0.4920%
	MuSU	0.41%	0.000%	0.057%	0.4674%
	NKU	0.41%	0.000%	0.000%	0.4100%
	WKU	0.41%	0.000%	0.000%	0.4100%
	KCTCS	0.21%	0.000%	-0.041%	0.1640%

¹ The sector average market factor is based on the distance an institution is below the sector average. An institution's own data was excluded from the calculation of the sector average.

- Benchmark comparisons regarding parameters will not apply to KSU based on Baker Hostetler concerns and alternative benchmark calculation (small institution adjustment).

**Maximum Parameters for
Undergraduate Resident Tuition and Mandatory Fees
2006-07**

FY 2006-07

TABLE 1

Institution	Tuition and Fees 2006	Tuition and Fees as % of State Median Family Income \$46,856	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007 \$48,168	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007 \$48,168	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$5,896	12.6%	\$6,784	14.1%	15.1%	\$888	\$6,422	13.3%	8.9%	\$526
UofL	5,531	11.8%	6,382	13.2%	15.4%	851	6,034	12.5%	9.1%	503
SECTOR AVERAGE	5,714	12.2%	6,583	13.7%	15.2%	869	6,228	12.9%	9.0%	515
Comprehensive Institutions										
EKU	4,660	9.9%	5,193	10.8%	11.4%	533	4,992	10.4%	7.1%	332
KSU	4,468	9.5%	5,035	10.5%	12.7%	567	4,814	10.0%	7.8%	346
MoSU	4,320	9.2%	4,915	10.2%	13.8%	595	4,678	9.7%	8.3%	358
MuSU	4,428	9.5%	5,002	10.4%	13.0%	574	4,777	9.9%	7.9%	349
NKU	4,968	10.6%	5,502	11.4%	10.8%	534	5,305	11.0%	6.8%	337
WKU	5,316	11.3%	5,860	12.2%	10.2%	544	5,662	11.8%	6.5%	346
SECTOR AVERAGE	4,693	10.0%	5,251	10.9%	12.0%	558	5,038	10.5%	7.4%	345
Two-Year Institutions										
KCTCS	2,352	5.0%	2,576	5.3%	9.5%	224	2,497	5.2%	6.2%	145

**Maximum Parameters for
Undergraduate Resident Tuition and Mandatory Fees
2007-08 (Assumes 2006-07 as funded at less than half)**

FY 2007-08
TABLE 2

Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$6,784	14.1%	\$7,701	15.6%	13.5%	\$918	\$7,331	14.8%	8.1%	\$547
UofL	6,382	13.2%	7,262	14.7%	13.8%	880	6,905	14.0%	8.2%	523
SECTOR AVERAGE	6,583	13.7%	7,482	15.1%	13.7%	899	7,118	14.4%	8.1%	535
Comprehensive Institutions										
EKU	5,193	10.8%	5,742	11.6%	10.6%	548	5,535	11.2%	6.6%	342
KSU	5,035	10.5%	5,620	11.4%	11.6%	585	5,393	10.9%	7.1%	358
MoSU	4,915	10.2%	5,529	11.2%	12.5%	614	5,286	10.7%	7.5%	371
MuSU	5,002	10.4%	5,594	11.3%	11.8%	592	5,363	10.9%	7.2%	361
NKU	5,502	11.4%	6,050	12.2%	10.0%	548	5,848	11.8%	6.3%	346
WKU	5,860	12.2%	6,417	13.0%	9.5%	558	6,215	12.6%	6.1%	355
SECTOR AVERAGE	5,251	10.9%	5,825	11.8%	11.0%	574	5,607	11.3%	6.8%	355
Two-Year Institutions										
KCTCS	2,576	5.3%	2,805	5.7%	8.9%	229	2,724	5.5%	5.7%	148

**Maximum Parameters for
Undergraduate Resident Tuition and Mandatory Fees
2007-08 (Assumes 2006-07 as funded at half or greater)**

FY 2007-08
TABLE 3

			Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$6,422	13.3%	\$7,331	14.8%	14.1%	\$908	\$6,960	14.1%	8.4%	\$538
UofL	6,034	12.5%	6,905	14.0%	14.4%	871	6,548	13.2%	8.5%	514
SECTOR AVERAGE	6,228	12.9%	7,118	14.4%	14.3%	890	6,754	13.7%	8.4%	526
Comprehensive Institutions										
EKU	4,992	10.4%	5,535	11.2%	10.9%	543	5,328	10.8%	6.7%	336
KSU	4,814	10.0%	5,393	10.9%	12.0%	579	5,166	10.5%	7.3%	352
MoSU	4,678	9.7%	5,286	10.7%	13.0%	608	5,043	10.2%	7.8%	365
MuSU	4,777	9.9%	5,363	10.9%	12.3%	586	5,132	10.4%	7.4%	355
NKU	5,305	11.0%	5,848	11.8%	10.2%	543	5,645	11.4%	6.4%	341
WKU	5,662	11.8%	6,215	12.6%	9.8%	552	6,012	12.2%	6.2%	350
SECTOR AVERAGE	5,038	10.5%	5,607	11.3%	11.4%	569	5,388	10.9%	7.0%	350
Two-Year Institutions										
KCTCS	2,497	5.2%	2,724	5.5%	9.1%	227	2,643	5.3%	5.8%	146